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FY 1978 BUDGET, FY 1979 AUTHORIZATION REQUEST AND FY 1978-1982 --ETC(U)
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SUMMARY

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⑨ Annual rept.

EXECUTIVE SUMMARY

OF THE

⑩ REPORT OF SECRETARY OF DEFENSE

DONALD H. RUMSFELD

TO THE CONGRESS •

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⑥ FY 1978 BUDGET, FY 1979 AUTHORIZATION REQUEST
AND FY 1978-1982 DEFENSE PROGRAMS

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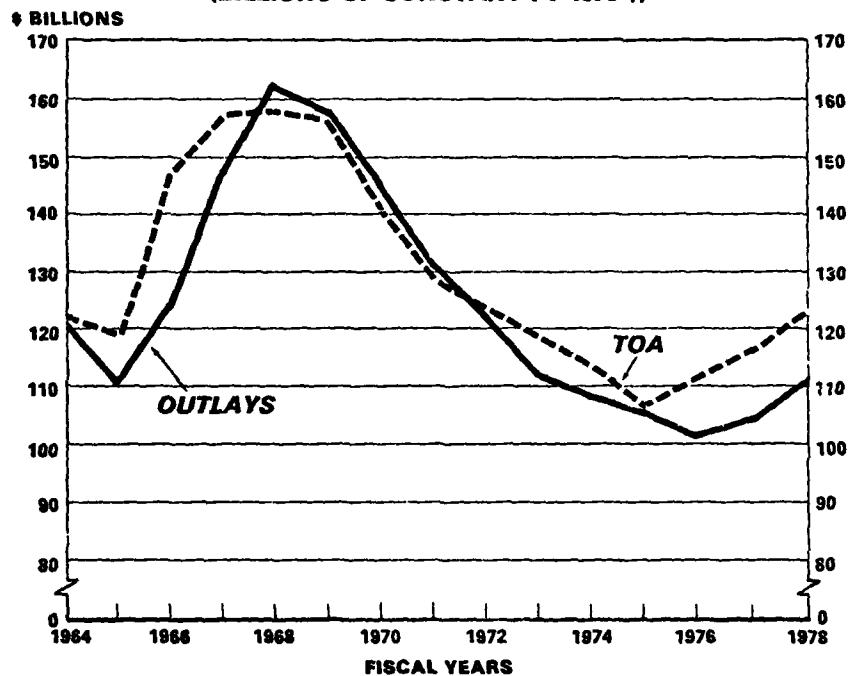
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EXECUTIVE SUMMARY
FY 1978 DEFENSE REPORT

The task of the U.S. Department of Defense -- indeed the first responsibility of the United States government -- is to protect the lives and liberties of the American people in a world that is difficult, tense, and even dangerous for those who seek to live in freedom and dignity. The FY 1978 Defense Report sets forth the conditions we face, together with U.S. national security goals and needs. This summary describes the main trends in the international environment and the path we are taking to meet the dangers and opportunities of the period ahead.

DEPARTMENT OF DEFENSE BUDGET TRENDS
(BILLIONS OF CONSTANT FY 1978 \$)



I. Past Years and Future Requirements

In the past two and a half years, the administration of President Gerald R. Ford has recorded a number of accomplishments in the realm of national defense:

-- the morale of the men and women of the U.S. armed forces has continued to improve and the American people increasingly recognize the contributions the armed forces make to our security and to peace and stability in the world;

-- the President and the national security leadership have been necessarily forthright with the country as to the magnitude and momentum of Soviet defense outlays and the resulting expansion of their military capabilities over more than a decade;

-- the downward trend in U.S. defense spending (measured in constant dollars) has been reversed; and

-- serious efforts have been undertaken to achieve equitable arms control agreements which are in the national interest.

Real growth in the U.S. defense efforts in FY 1976 and FY 1977 has enabled us to improve defense and deterrence by:

-- needed modernization of U.S. strategic forces;

-- expansion of the Army's conventional force to 16 active divisions and their modernization;

-- steps toward restoration of the Navy's capability for two-ocean sea control and the projection of power;

-- expansion of the Air Force to 26 tactical fighter wings;

-- improved combat readiness on the part of the forces;

-- added research and development to strengthen U.S. technology.

The accomplishments have been accompanied by some disappointments, several of which require consideration by the new Congress.

-- Reductions in the defense budgets proposed by successive Presidents have retarded the rate of modernization and expansion of U.S. forces; it has been less than that demanded by the continued growth in Soviet military capabilities;

-- Reluctance to accept technological advance endangers U.S. security. We must strive to maintain the U.S. technological superiority, which has contributed so much to our security over past decades.

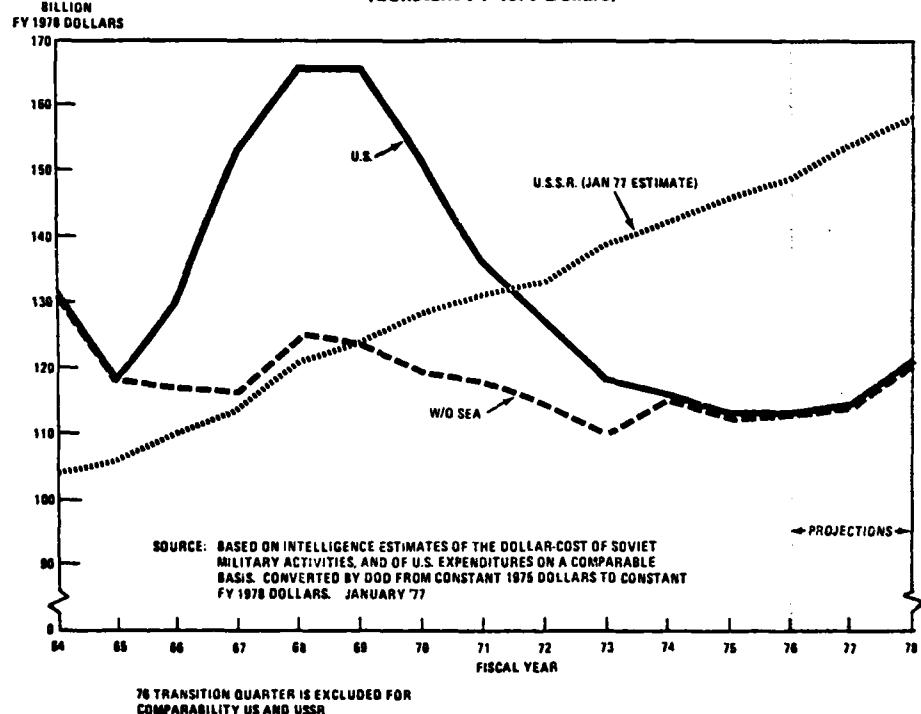
-- Support to improvements in strategic mobility is necessary to avoid an inefficient use of scarce resources and a shortage of capability to reinforce and resupply forward deployed forces.

-- Support by the Congress of a number of restraints is necessary to reduce waste, inefficiencies, and misplaced priorities. Realignment of bases to fit the numbers and needs of present day forces is essential to avoid serious consequences to overall efficiency and effectiveness.

The Defense Report for FY 1978 is presented against this background. Last year, the FY 1977 Report stressed the growth in Soviet military power relative to that of the United States because of decisions made over the previous decade. To reverse that unacceptable course, President Ford proposed a real increase in last year's defense budget. Although \$3.8 billion of the FY 1977 request was not approved, the budget, as passed, did provide a real increase of 5.8 percent between FY 1976 and FY 1977. Since the problem of security demands a long-term commitment of steady growth and modernization, even more effort will be required of us in the coming fiscal years.

U.S. AND SOVIET DEFENSE PROGRAM TRENDS
(U.S. Outlays and Estimated Dollar Costs of Soviet Programs)

(Constant FY 1978 Dollars)



The Soviet Union, whatever its purposes, is without question engaged in a serious, steady, and sustained effort which, in the absence of a U.S. response, could make it the dominant military power in the world.

Neither the high quality of U.S. technology and weapons nor the considerable talents and skills of the men and women of the armed forces will continue to make up for the quantitative advantages of such an adversary. As in the past, forces and weapons systems adequate to meet U.S. national security requirements do not come cheaply.

It is with such considerations in mind that the President presents his defense budget for FY 1978 and the projected Five-Year Defense Program. Total obligational authority of \$123.1 billion and outlays of \$110.1 billion are requested for FY 1978. Totals for FY 1977 and those now projected for the Five-Year Defense Program are shown in the following table:

Five-Year Defense Program (Billions of Dollars)
(Fiscal Years)

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Total Obligational Authority						
Current Dollars	110.2	123.1	135.4	145.8	156.7	166.8
FY 1978 Dollars	116.7	123.1	128.8	132.3	135.7	138.6
Outlays						
Current Dollars	98.3	110.1	121.2	133.7	145.5	156.3
FY 1978 Dollars	104.5	110.1	115.2	120.9	125.6	129.0

Proposed real growth in total obligational authority from FY 1977 to FY 1978 will be about 6.3 percent, practically all of which will go to the investment accounts -- primarily procurement and research and development. Based on current assumptions about expected pay and price increases during the period of the Five-Year Defense Program, real growth from FY 1978 to 1982 should continue to be substantial and, most of it, again, will be concentrated in investment accounts.

The ability of the United States to afford such expenditures is not in question. Indeed, we cannot afford to withhold the resources required for strength, stability, and peace. Although security must surely rank first among the nation's priorities, its price is small. In FY 1977, even after the Congress had provided for a real increase, the Defense share of GNP, of federal and total public spending, and of the total labor force was the lowest since before the Korean war.

U.S. DEPARTMENT OF DEFENSE BUDGET

FINANCIAL SUMMARY

	<u>FY 1964</u>	<u>FY 1968</u>	<u>FY 1976</u>	<u>FY 1977</u>	<u>FY 1978</u>
DOD/MAP as Percentage:					
Federal Budget (Outlays)	42.9%	43.6%	24.1%	23.9%	25.0%
Gross National Product	8.2%	9.4%	5.5%	5.4%	5.4%
Labor Force	8.3%	9.9%	5.0%	5.0%	5.1%
Net Public Spending	28.6%	29.7%	15.9%	16.0%	16.5%

II. Basis of the Projected Efforts

Our nation simply cannot allow Soviet capabilities to continue expanding and U.S. capabilities to retrench -- as they have over the past decade -- without inviting an imbalance and, ultimately, a major crisis. The solution does not lie in adopting any specific or fixed annual increases in the defense budget; there is no magic percentage by which Defense resources must expand each year. Nor should we design the U.S. defense posture as the mirror-image of an opponent's capabilities, simple as this might appear; that would miss the essence of systematic planning and could rapidly lead to major and expensive absurdities in force posture.

U.S. planning must include changes brought about by military technology. A number of major consequences have already followed from such technological advances:

-- to a degree unprecedented in its history, the United States has become directly vulnerable to attack;

-- the nation must now maintain three basic types of military force -- strategic nuclear, theater nuclear, and conventional -- with defense budgets which must be higher than during the seemingly quieter years before World War II; and

-- the potential destructiveness of new weapons leads reasonable people to recognize that nuclear forces are instruments of last resort, and that the more traditional conventional capabilities remain of fundamental importance in today's world. In essence, we are seeing a revival in the importance of non-nuclear military capabilities.

The U.S. defense posture does not and cannot be made to relate directly to the short-term objectives and tactics of U.S. foreign policy, although it can and does contribute in a fundamental way to the environment in which foreign policy is formulated and conducted. In the geopolitics of an increasingly interdependent world, the U.S. defense establishment

constitutes one set of instruments -- along with diplomatic, economic and other means -- at the disposal of the nation, and a diverse array of capabilities is needed to achieve national objectives. Since long lead times are required to develop modern military capabilities, decisions made today determine the capabilities, not of today, but of the decades ahead.

The world of today is no longer one of many great military powers. There are only two major powers -- the United States, which is the primary champion of freedom, self-determination, and international pluralism, and the Soviet Union, which has an imperial domain already sprawled over two continents and is the primary advocate of a command economy, centralized control, and the subjugation of the individual to the state.

Unfortunately, U.S. views on international issues and on the importance of freedom are not expanding in the world. On 26 key issues before the United Nations in 1974 and 1975 -- including the resolution equating Zionism with racism and one eliminating the UN Command for Korea -- few nations shared the U.S. perspective. In fact, less than one-tenth of the member states voted as we did on a majority of these issues; over half voted against our position nearly every time. Those who voted consistently as we did total 13 nations out of over 140.

Nor is personal freedom flourishing. Freedom House, a private research organization, reports that less than one-fifth of mankind enjoys a degree of freedom even approximating our own, while nearly half the world's population lives under a dictatorial regime of one stripe or another. The United States and its friends believe in self-determination for ourselves and others; the Soviet Union and its allies do not.

Some might say that sounds like "cold war" rhetoric. I consider it simply the truth, and we best serve our ideals by talking the truth. To do otherwise would be to grant "moral parity" to authoritarian systems.

Despite these fundamental differences, today's world is one of growing interdependence. Nations and peoples increasingly rely upon each other for supplies, industrial and agricultural goods, markets, investments, and technical know-how.

From a defense perspective, we find that modern conventional weapons are no longer the exclusive property of the larger industrial states. Nuclear technology threatens to spread to many areas. A geopolitical map of the world shows the United States politically, economically, or culturally more dependent and more involved with other states and peoples than ever before in its history. These conditions, combined with the weakening of the traditional international order, the collapse of old empires, and the rise of the Soviet Union as an active world power, make bold action across the oceans both more necessary and more dangerous.

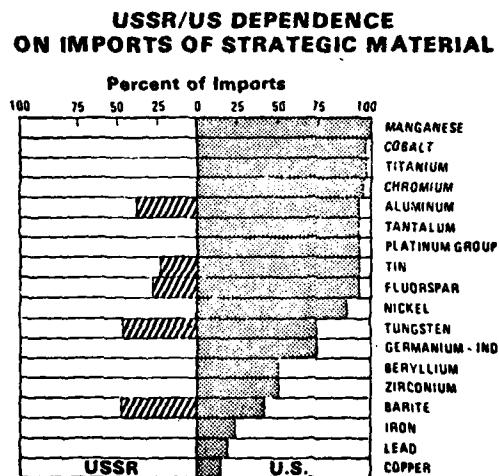
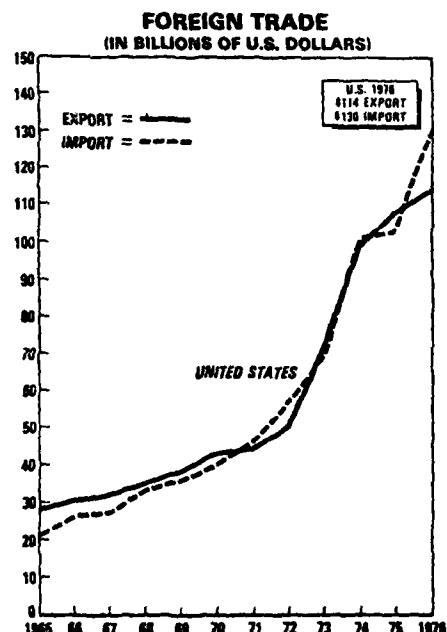
Events in a distant corner of this increasingly interdependent world cannot be ignored by the United States.

Recognizing these facts, the United States has engaged in a search for the peaceful and equitable settlement of international differences. In particular:

-- it was the United States which first sought seriously to control strategic nuclear arms and achieve mutual and balanced force reductions in Europe; and

-- it was the United States which struggled to end the fighting in the Middle East and successfully concluded three agreements among former belligerents.

While extensively involved in these efforts, we have kept the main and continuing interests of the United States firmly before us. Our fundamental interest lies in preserving the independence and territorial integrity of the United States and its possessions. Close behind are political and economic interests we share with various nations and alliances. These interests are worldwide in nature; they impel our determination to preserve freedom of the seas and of space.

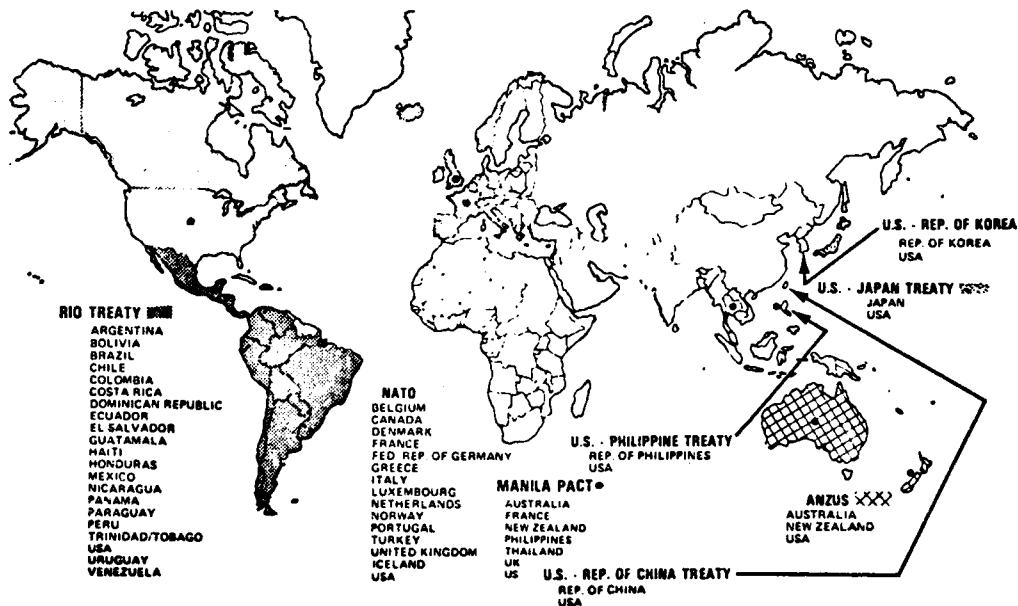


III. Conditions of Peace and Security

To create and maintain the conditions of peace and security in the world is in large part to avoid actions and conditions which are provocative -- belligerence on the one hand, weakness (which can be equally provocative) on the other. Either can encourage others into adventurism they might otherwise avoid. The obligation of government is to preserve the strength, determination, and flexibility needed to achieve U.S. goals and contribute to stability around the world.

Helping to establish the conditions of peace means avoiding a military imbalance in the world. Not only is a global nuclear balance necessary; so are a number of balances in regions vital to our interests. Precisely because traditional power depends upon large quantities of military equipment and supplies, long lines of communication, freedom of airspace, and control of essential seas, the U.S. must maintain strategic positions and forward deployed forces. These, in conjunction with the system of alliances we have maintained during the past three decades, provide leverage on prospective enemies and help to keep potential conflict from American shores.

DEFENSE ALLIANCES & TREATIES WITH U.S.

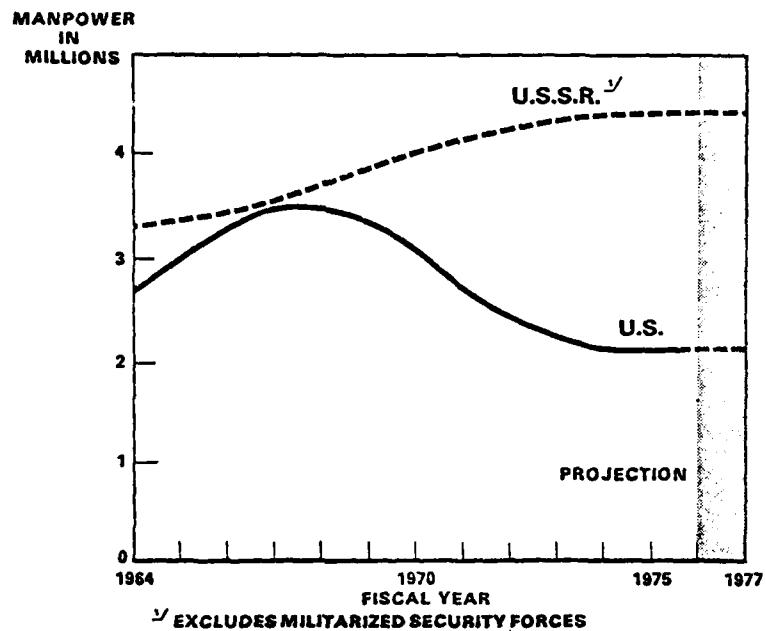


IV. Foreign Military Capabilities

It is a fact that the greatest potential threat to the United States comes from the Soviet Union. Absolute proof eludes us about the intentions of Soviet leaders, but no doubt exists about the capabilities of Soviet armed forces to threaten U.S. vital interests.

As the Defense Report pointed out last year, there are 4.4 million men in the Soviet military establishment -- compared with 2.1 million men and women in the U.S. Armed Forces. All elements of modern power are heavily represented in the Soviet military establishment, including intercontinental strategic nuclear forces, large and growing theater nuclear forces, and a wide range of modern conventional capabilities.

U.S./U.S.S.R. MILITARY MANPOWER



A significant portion of Soviet theater nuclear and conventional forces is oriented toward Western Europe, with 27 divisions and over 1,000 aircraft in East Germany, Poland, and Czechoslovakia and 4 divisions with supporting aircraft in Hungary. The USSR has an ICBM force that numerically is 50 percent larger than our own, and some 75 ballistic missile submarines, at sea and under construction, capable of attacking the United States. The Backfire bomber is coming into service. Soviet antibomber defenses remain substantial, and it is increasingly evident that they provide key elements of their population, industry, and food supplies with some degree of protection against nuclear attacks. The Soviets have also increased their capability to project power far from their shores and from areas of their historical involvement.

What we are witnessing, at a minimum, is a sustained effort on the part of the leaders in the Kremlin to expand their capabilities sufficiently to become major participants in world geopolitics. In certain respects, they have already broken through or leapfrogged the barriers erected by the containment policies of earlier decades. They can be expected to

continue this process in the future. Certainly they will have a growing capability to do so.

There is continuing momentum behind Soviet defense programs. While the U.S. defense budget was, until recently, in a long, slow decline in real terms, the Soviet defense budget increased in real terms by more than a third over the past decade.

Because of the steadily growing resources allocated to defense, the Soviets now outproduce the United States in tanks, armored personnel carriers, and artillery. Their output of tactical aircraft and even helicopters is now greater than ours. So is their production of new ships, in terms of numbers delivered. However, since we have built larger individual units, new U.S. tonnage exceeds that of the Soviets by 30 percent.

While the United States has developed one new ICBM since 1965, the Soviets have developed seven. Of their newest generation of ICBMs, three have greater throw-weight and more and higher-yield multiple independently targetable re-entry vehicles (MIRVs) than our newest ICBMs. In light of an ever-growing base for the production of military materiel and an expanding corps of scientists and engineers devoted to military R&D, reasonable people must conclude that these programs will continue to accelerate.

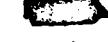
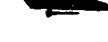
We know that Soviet leaders talk of being engaged in long-term competition with the West and of seeking to tilt the international "correlation of forces," including the military, in their favor; that they continue to sponsor and support "wars of national liberation;" and that their writings suggest an ultimate victory of Marxism over the evils of "capitalist-imperialism." Indeed, to describe the Soviet Union as a status quo power is to ignore much of what has been taking place over the past twenty years.

The Kremlin is behaving as though it is determined to increase Soviet military power whether we show restraint or not; Soviet military programs which we observe and measure exceed those necessary for deterrence; and the magnitude of the Soviet military effort, impressive by any standard, continues the momentum that it has displayed for more than a decade.

In short, we must base U.S. force planning on a recognition of the size and scope of the Soviet military capabilities as they are, not as we would wish them to be. This, indeed, is the most critical assumption underlying the defense budget for FY 1978 and the Five-Year Defense Program. I do not believe there is any other assumption that fits the facts about the Soviet Union and our world in the late 1970s.

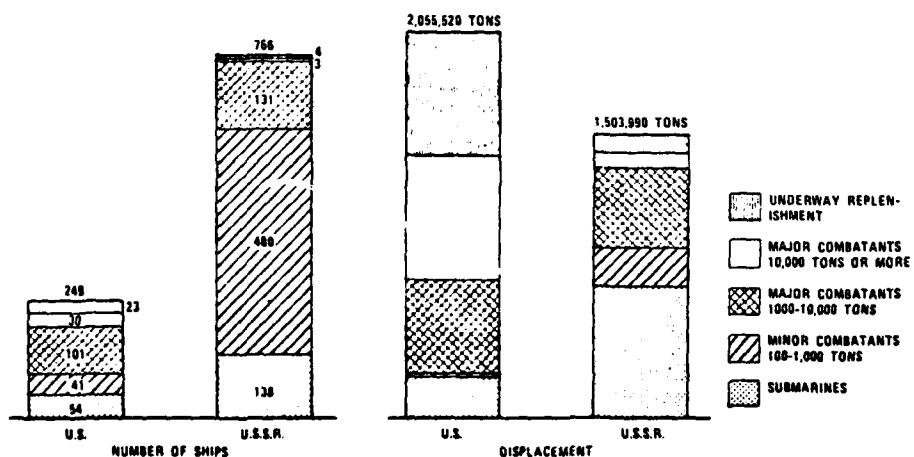
The future course of the People's Republic of China remains somewhat uncertain, as does our relationship with Peking. While we continue to

ESTIMATED U.S./USSR RELATIVE PRODUCTION RATES (1972 - 1976)

	USSR 1972-76 AVG	U.S. 1972-76 AVG	USSR/U.S. RATIO 1972-76
	2,770	469	5.9:1
	4,990	1,556	3.2:1
	1,310	162	8:1
	1,090	573	1.9:1
	666	733	0.8:1
 1/	27,000	27,351	1:1

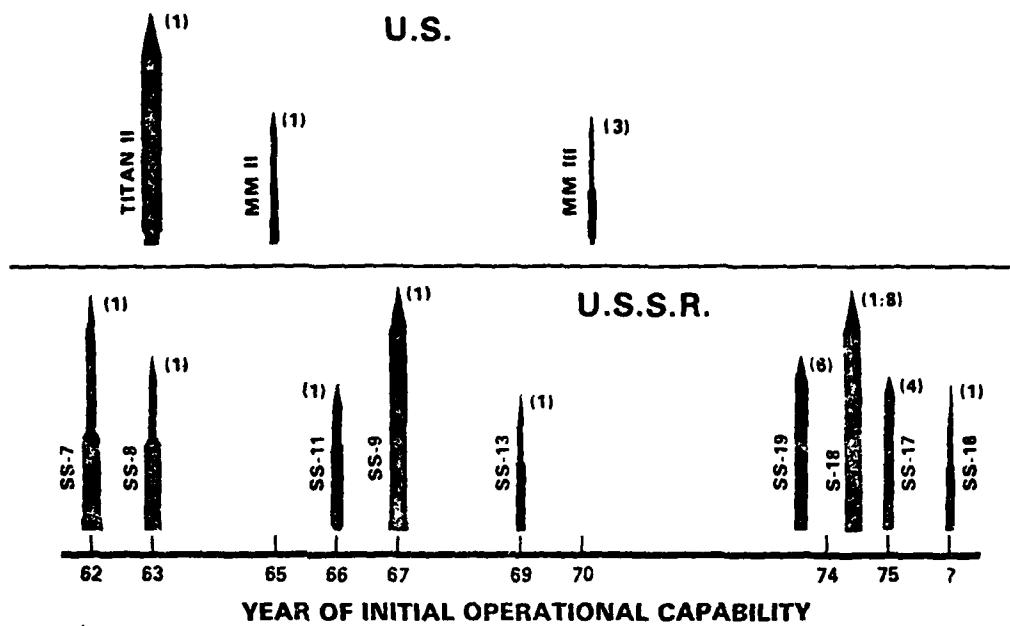
1/ Ground launched antitank missiles

US/USSR COMBATANT SHIP DELIVERIES 1/ 1966-1976



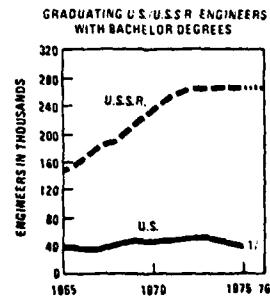
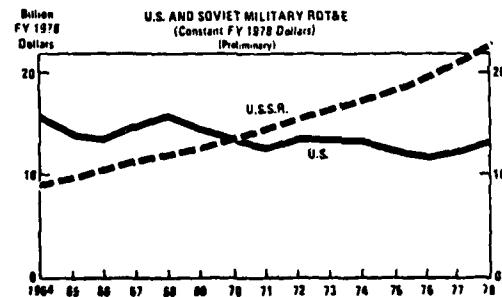
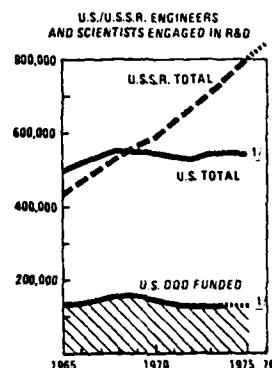
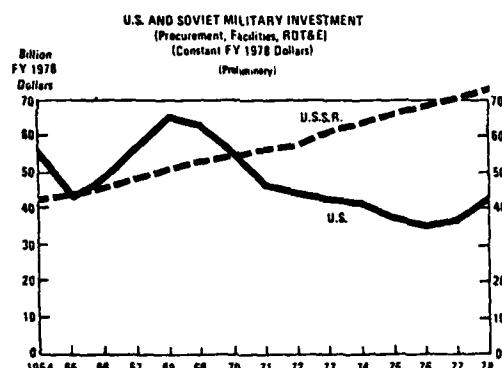
1/ SUPPORT SHIPS OTHER THAN THOSE CAPABLE OF UNDERWAY REPLENISHMENT ARE NOT INCLUDED.

US AND SOVIET ICBM DEVELOPMENTS^{1/}



^{1/}The numbers in parentheses represent the number of independently targetable re-entry vehicles associated with each missile

COMPARATIVE U.S. AND SOVIET TECHNOLOGICAL INVESTMENT



^{1/}Based on 1974 data. Data for 1976 is not yet available.

seek more normal relations with the PRC, Peking is gradually developing an intercontinental and sea-based ballistic missile capability. Accordingly, we must take this into account in the design and deployment of U.S. strategic nuclear forces. In addition, we must be aware of Peking's conventional capabilities. Allies in Asia are necessarily sensitive to the regional power of the PRC, and cannot ignore the possibility of local conflicts which could affect their interests, and ours.

Other and lesser powers may also choose to challenge U.S. interests and friends. North Korea, Libya, and Cuba are only the most obviously bellicose of the candidates. Such challenges may become more dangerous in the period ahead. The incidence of terrorism, occasionally fostered by irresponsible foreign leaders, could also increase in number and intensity, and terrorists could become more heavily armed with more sophisticated weapons.

V. Challenges to Security

Certain of these many challenges call for particular attention and concern.

First among the dangers remains a nuclear attack on the United States itself. However remote and improbable such an attack may seem, the consequences of its occurrence would be so catastrophic that this possibility must take priority in U.S. planning.

Second is the threat of a conventional conflict. Despite thirty years of peace and relative stability, Western Europe -- a region of the most vital political, economic, cultural, and strategic interest to the United States -- continues to face the armed might of the Soviet Union and its satellites. Warsaw Pact forces, both nuclear and conventional, are being steadily strengthened; their doctrine and posture continue to be offensive in character.

A direct attack on NATO is not the only basis for continuing concern about Europe. The possibility of a succession crisis in Yugoslavia remains. Around the Mediterranean, large communist parties of Western Europe are exploiting the democratic process in order to seize power or gain a major share of it. This is being done under the banner of "Euro-communism," as though it were not real communism and is therefore somehow more acceptable.

The dangers in the Middle East and Persian Gulf are well known. We seek continuing progress toward a Middle East peace settlement. We also have a fundamental interest in uninterrupted access to Middle East oil and gas resources by the United States, and especially by Western Europe and Japan, at acceptable prices. Both objectives remain in doubt.

Asia is still an area of high potential for conflict. The elements that compose the Asian balance are multiple and fluid, reflecting the

complex relations among the United States, the Soviet Union, China, and Japan. Should conflict occur, it could have a significant long-term effect on the regional and global balance.

The dangers to current stability are diverse. They range from the possibility of armed attack across an established frontier in Korea to adventurism in Southeast Asia, supported in varying degrees by some of the communist nations of Asia. The present situation is not unfavorable, but it could deteriorate.

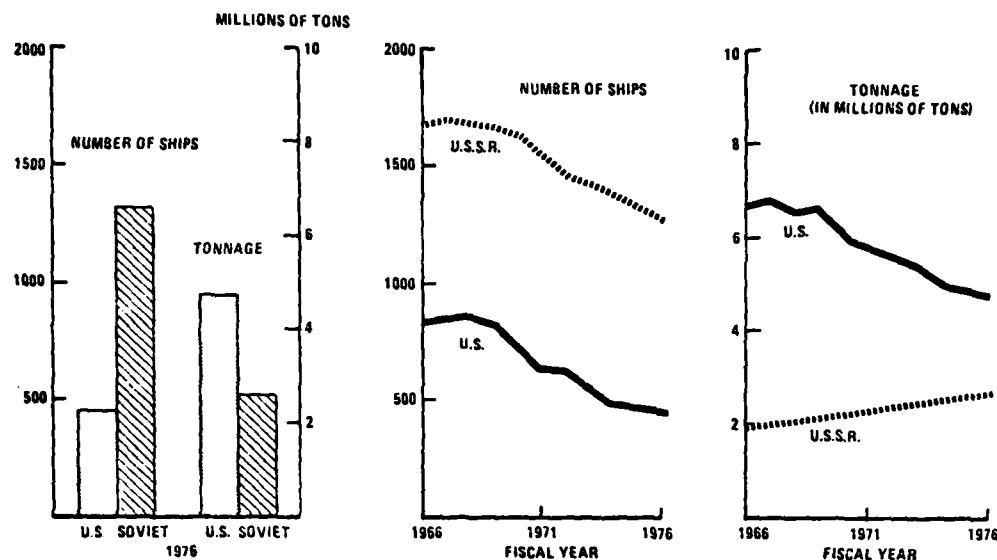
U.S. interests in South Asia and Africa are primarily political and economic, with strategic interests limited to lines of communication. The social and economic problems of these areas may well create conditions of local disorder and tension, which will be both disruptive in themselves and may offer opportunities for exploitation by the Soviet Union or other countries potentially hostile to the United States.

U.S. interests in Latin America are both political and economic, although there are important strategic interests with respect to lines of communication, particularly for oil, and access to mineral resources. There are few contingencies, however, that might impose a substantial requirement for U.S. forces. This is not to say that threats to U.S. security might not arise in Latin America. The future status and security of the Panama Canal, Cuba's potential for subversion and intervention, and the persistence of possibly troublesome regional rivalries are serious problems.

Two other dangers are global in scope. First, the Soviets have built and deployed major air and naval capabilities with which they could attempt to deny us freedom of the seas. Dependent as the United States is on free use of the seas -- as avenues of commerce and as a medium for projecting power and influence abroad -- such a threat would be unacceptable. Similarly, the Soviets are working on capabilities to interfere with U.S. capabilities in space. Any effort to use these capabilities would require a response, which could only come from the United States.

In summary, we must recognize the difference between the world we seek and the world we live in today. Democratic institutions are not spreading in the world, international stability is not increasing, conflicts are not decreasing in number or intensity, and the rule of law is not flourishing. Yet in the complex world of the 1970s, we have a great stake in standing fast on the frontiers of freedom and deterring the serious threats that exist.

CHARACTERISTICS AND CHANGES IN GENERAL PURPOSE* NAVAL FORCES - U.S./U.S.S.R.



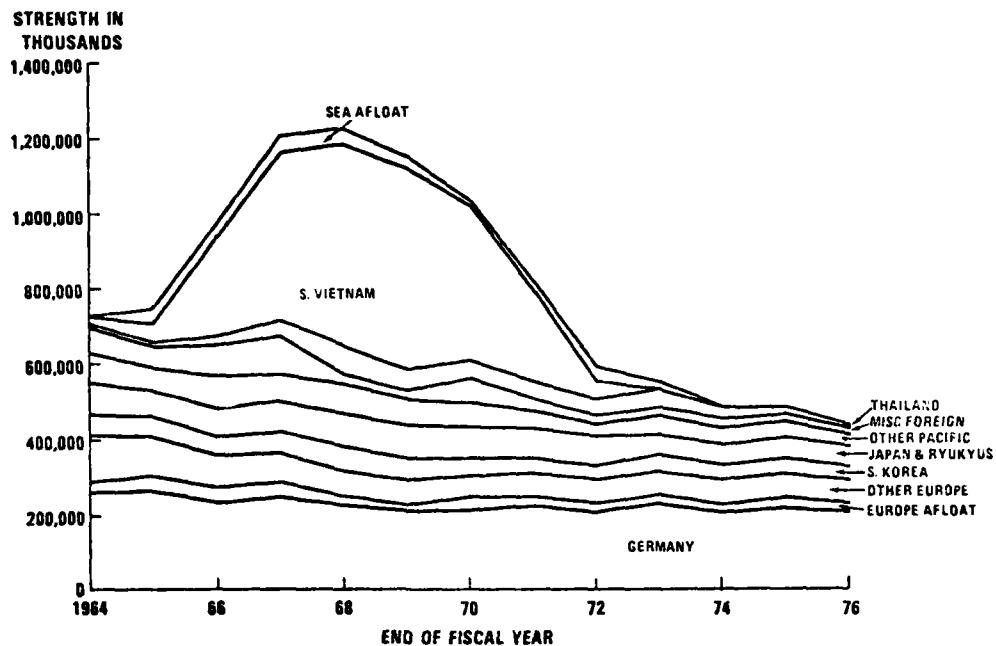
*DOES NOT INCLUDE BALLISTIC MISSILE CARRYING SUBMARINES

VI. The Role of America and Our Allies In The World

Because we are one of the two major powers in the world, we must continue to play a large role in international affairs. Were we to relinquish this role, there would be no other power substantial enough to counterbalance the USSR. Is there anyone who seriously believes that in the absence of U.S. military power as a counterweight to the Soviets, they would long be restrained from expanding their influence by whatever means were available?

The mantle of leadership for those who believe in freedom has passed to America. Our friends in Europe, while contributing to our collective security, are no longer comparable powers. Further, with technological advances in weaponry, the United States has lost the luxury of time in which to mobilize forces, adapt industry to war production, learn from the mistakes of others, and step into the conflict when prepared. Today, no one can hold an enemy at the gates long enough to permit a leisurely U.S. mobilization. With modern technology, that day has passed. There is no alternative but to be prepared and thereby to deter.

US MILITARY PERSONNEL IN FOREIGN COUNTRIES



While we do not count on the contribution of our allies in the design of U.S. nuclear forces, we do rely on them in structuring our general purpose forces. For certain major contingencies, such as an attack by the Warsaw Pact, we assume that all NATO commitments will be met and that, at a minimum, the forces pledged to the Alliance will become available as scheduled. This assumption materially reduces the need for U.S. general purpose forces in such contingencies. Nevertheless, experience has shown that we cannot rely on our major regional allies at all times and in all circumstances.

VII. Arms Control and Deterrence

Arms control negotiations naturally play a role in the design of our defense posture. The primary U.S. objective in these negotiations is security through increased stability. We would prefer a world in which neither major power had incentive either to attack the other or to strive for a long-term military advantage. We also seek to reduce uncertainty about the future and limit the costs of defense.

While hopeful, we must also be realistic in this complex, sensitive and even risky area. So far, arms control successes have been modest. The ABM Treaty of 1972 has forestalled extensive deployment of ABM systems, and the Interim Offensive Agreement of SALT, due to expire in October 1977, placed a ceiling on the number of U.S. and Soviet ICBMs and SLBMs. Such measures have clearly not dulled the Soviet appetite

for new and more capable strategic offensive systems, nor have they assured stability. The Vladivostok Understanding of 1974 would come closer to realizing our goals, but a new treaty has not yet emerged. The reason is clear. Despite repeated U.S. proposals, movement thus far by the Soviet Union has not been sufficient to permit the signature of an agreement that would be in the U.S. national security interest.

The complex multinational negotiations for mutual and balanced force reductions in Central Europe have not as yet produced anything concrete. While arms control measures could conceivably impose restraints and reduce the incentives for war, these goals remain before us. The facts of the present must form more of a basis for U.S. defense planning than hopes for the future.

VIII. Strategic Nuclear Concepts and Forces

In designing U.S. strategic forces, three main contingencies are considered:

-- a surprise attack by the Soviet strategic forces against the U.S. retaliatory capabilities postured in their regular day-to-day status;

-- a sudden Soviet attack against an alerted U.S. posture, a posture which has many more bombers on alert and SLBMs at sea because of a deteriorating international situation; and

-- a sequential PRC-Soviet attack against an alerted U.S. posture. U.S. force planning centers on the first contingency -- a Soviet surprise attack on our day-to-day force posture -- since the other contingencies prove to be less demanding.

It should be emphasized in this context that nuclear forces make up a continuum of capabilities. They must therefore be assessed together because:

-- Soviet nuclear forces cannot be fitted neatly into either strategic or theater categories. Variable-range ICBMs have been based in their IRBM/MRBM fields, and both the SS-X-20 missile and the Backfire bomber are indefinite as to range capabilities and missions.

-- The outcome of some nuclear conflicts may depend as much on an ability to hold or occupy territory as on the destruction of specific targets. For this reason, aircraft and missiles designed to perform deep missions and attack "strategic" targets, may not always have the decisive role in nuclear warfare.

-- Important "gray area" systems -- such as the SS-X-20, Backfire, and some cruise missiles -- do not fall into the current arms control categories of central and non-central systems, yet they cannot be ignored.

The primary function of the continuum of nuclear forces is to deter attack and prevent nuclear blackmail. Even though they absorb no more than 20 percent of the total defense budget, nuclear forces provide the foundation of deterrence. That foundation must be solid at all times, to underpin the entire defense structure and our system of collective security.

Soviet nuclear capabilities can be expected to improve in the future as they have done so dramatically in the past. Between 1965 and 1976, their ICBM force increased from 224 to more than 1,500 launchers and their SLBM force from 29 to 800 launchers. They began the modernization of their long-range bomber force and made a considerable increase in their deliverable nuclear weapons.

If the Soviet strategic posture is already impressive today -- in numbers, throw-weight, and survivability -- it is becoming even more so in terms of qualitative improvements which are part of the current wave of modernization.

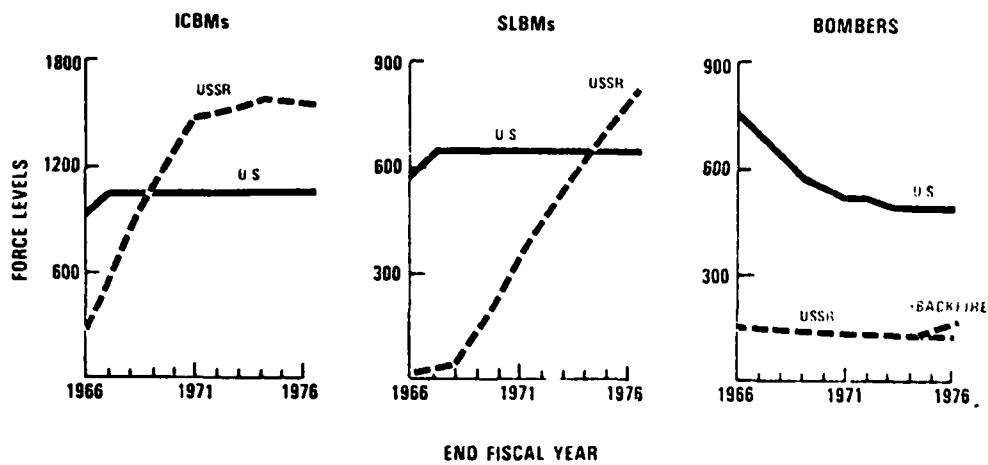
Three rather definite statements about developments in Soviet nuclear programs can be made:

-- Whatever their motives, the Soviets have greatly expanded and improved their strategic posture.

-- Soviet programs do not reflect an interest in deterrence by massive retaliation alone; their strategic nuclear posture is developing a war-fighting capability.

-- While the Soviets are not likely to succeed in the admittedly complex, costly, and difficult task of achieving meaningful nuclear superiority, it is clear that their capabilities are taking them in that direction.

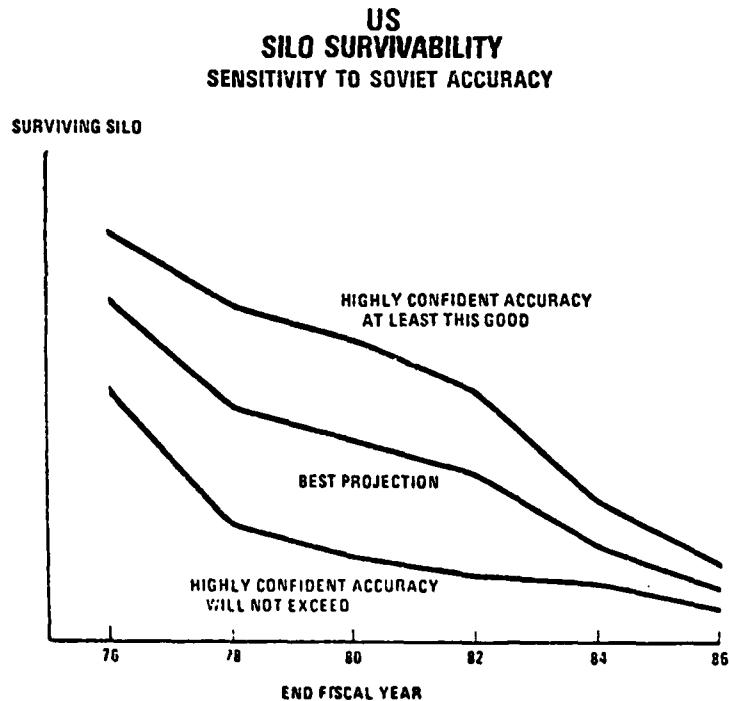
CHANGES IN U.S./U.S.S.R. STRATEGIC FORCE LEVELS



To preserve deterrence, U.S. forces must be designed so that, if necessary, they are able to absorb an attack -- rather than depend on warning for their survival -- and strike back after enemy weapons have actually detonated. The most efficient basis for such a second-strike capability is a mixed force of ICBMs, SLBMs and bombers -- known as the strategic Triad -- which interact strongly to increase the survivability of each part.

The United States must also be concerned with the stability and flexibility of the strategic deterrent. The posture represented by the second-strike Triad should not be mistaken for overkill, as is so often the tendency.

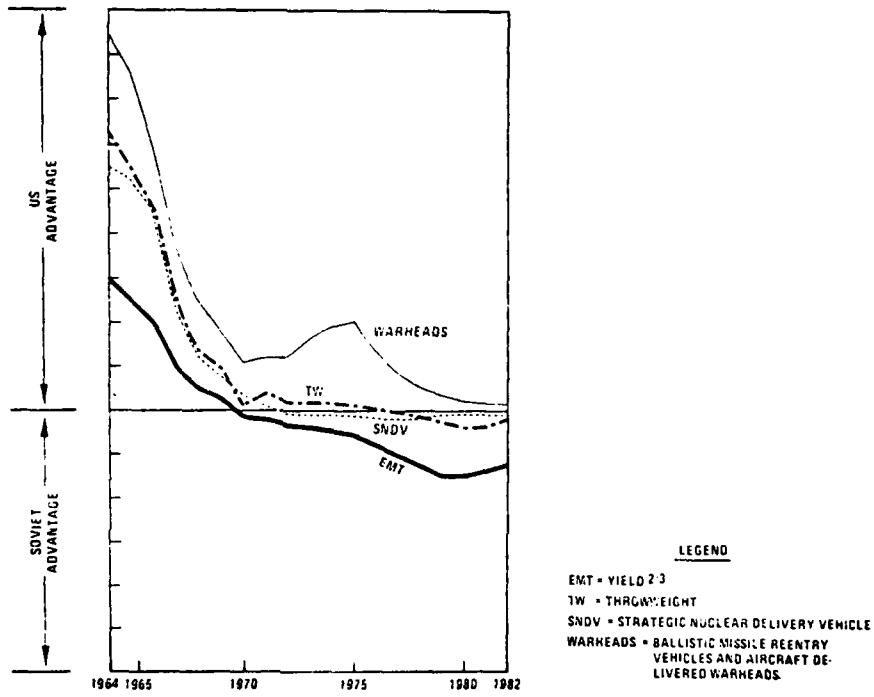
Continued modernization of U.S. nuclear systems is imperative in light of increased Soviet capabilities. Before the mid-1980s, the Soviets could possibly have the capability, with a small fraction of their ICBMs, to destroy the bulk of the Minuteman/Titan force. While this would in no way give the Soviets a disarming first-strike, it could create a dangerous asymmetry. Since much of the U.S. capability for controlled, selective responses resides in the Minuteman force, it may be desirable to make the U.S. ICBM force increasingly mobile. Naturally, the United States would prefer to avoid this costly turn of events and prolong the life of fixed ICBM forces on both sides a good deal longer.



In any event, we must make sure that the U.S. nuclear posture inspires the correct perception of strength. If allied and neutral nations see the military balance as favoring the Soviet Union rather than the United States, their independence and firmness may give way to adjustment, accommodation,

and subordination. If potential enemies have a similar perception, they may misjudge the situation and make demands which could lead to confrontation, crisis, and unnecessary dangers. At present, the United States and the Soviet Union are seen as having roughly equivalent nuclear capabilities. Congress has underscored the importance of maintaining this posture by requiring that we not be inferior to the Soviet Union.

US/USSR STRATEGIC FORCES ADVANTAGE



Even as we work toward effective deterrence, we hope for sound arms control agreements. As a nation, we must approach such agreements cautiously. So far our monitoring of existing agreements has been adequate.

The overall U.S. nuclear posture and related arms control agreements must take Soviet efforts at damage-limitation into account. Most damage-limiting strategies represent an effort by one belligerent to cause maximum damage to his enemy and minimum damage to himself. The assumption behind such strategies is that, if major asymmetries in damage can be achieved, one side will survive as a functioning nation while the other will not.

The United States has never taken decisive action in this area. Basic U.S. policy has been directed at deterrence through flexibility and the control of nuclear escalation.

The result of this policy has been a strategic nuclear posture with the following characteristics:

- a high-confidence Triad of second-strike retaliatory forces within the Vladivostok Understanding of 2,400 launchers;
- some 8,500 warheads on delivery vehicles for adequate coverage of all relevant targets, even after the attrition suffered from an enemy first-strike and from the penetration of his defenses;
- a single ABM site on inactive status except for its Perimeter Acquisition Radar (PAR) and a light air defense dedicated to surveillance and peacetime control of U.S. airspace;
- a mobile fighter-defense system coupled with AWACS which would be used for continental air defense in an emergency;
- a modest civil defense program to shelter the U.S. population in existing structures and develop the capability to evacuate citizens from selected areas during a period of grave crisis;
- a system of multiple, complementary surveillance and early warning capabilities and a survivable command-control-communications network designed to permit the President to direct the strategic nuclear forces in a deliberate and controlled manner.

With essential modernization of aging systems, this carefully tailored posture is preferable to an unrestrained arms race in the future.

IX. Other Nuclear Forces

Nuclear weapons provide a possible response to contingencies other than a direct strategic attack on the United States or its allies. Our allies have been and are today reassured by local U.S. nuclear forces which serve as part of the continuum between conventional forces and strategic capabilities. Theater-based systems constitute a key backup to strong conventional defenses and a major hedge against a failure of those defenses. Because other nations have developed local nuclear capabilities, a U.S. deployment of such forces is required to deter and, if necessary, counter them on a regional level.

As early as 1956, the Soviets began deploying MRBMs and nuclear-capable light and medium bombers as part of increasingly powerful nuclear forces. At present, they have in their peripheral attack forces a greater variety of long-range delivery systems and more missile launchers than NATO. The current Soviet capability goes from the variable-range ICBMs and the new SS-X-20 to short-range tactical missiles.

The Soviets continue to maintain and modernize this force and to articulate a military doctrine which assumes an early use of nuclear weapons by the

Warsaw Pact in a European war. While the Soviets might well limit such an attack to conventional means, they are not at any disadvantage where theater nuclear forces are concerned.

The People's Republic of China has now deployed a medium-bomber force of over 70 Tu-16s which are nuclear-capable, and a small complement of MRBMs and IRBMs. Great Britain and France have long-standing nuclear capabilities to attack targets in Central Europe and in the USSR. In such circumstances, neither we nor the Soviets are necessarily the sole judges of where, when, and how such weapons might be used.

In structuring U.S. nuclear forces, attacks in Central Europe or in Korea are considered the most likely to call for backup. A decision to use tactical nuclear weapons would depend upon (1) an enemy conventional breakthrough which could not be countered, or (2) his first use of nuclear weapons. U.S. capabilities must be sufficiently large and survivable to absorb such an attack and still perform assigned missions. This means not only a mix of forces, but also an emphasis on mobility and concealment for survivability. Sophisticated and survivable command-control-communications networks must accompany these forces.

To minimize collateral damage, U.S. systems are presently tailored to destroy their targets with the minimum yields possible. As nuclear and guidance technologies advance, theater nuclear forces must be modernized, but without blurring the important and time-honored distinction between nuclear and non-nuclear weapons.

In light of the current Soviet nuclear threat, there are graver risks in not maintaining theater nuclear forces than in deploying them. Friend and foe, supporter and skeptic, all need to recognize that U.S. nuclear forces must constitute an integral part of U.S. capabilities if the deterrent is to be effective.

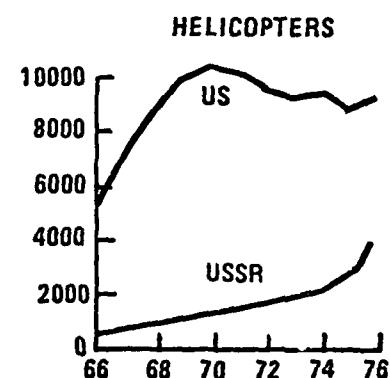
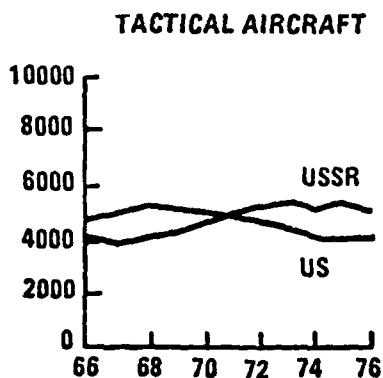
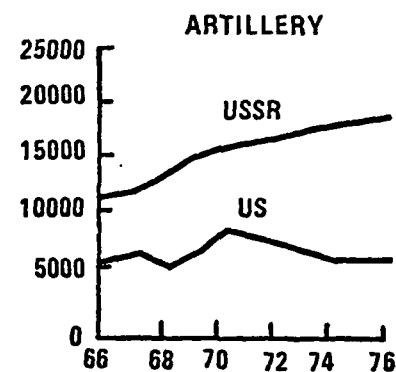
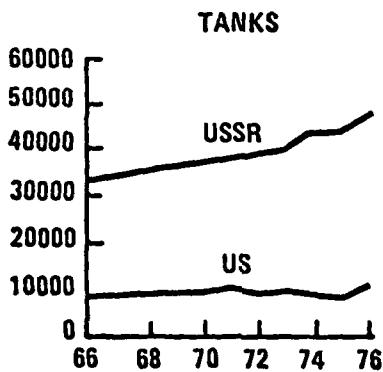
X. Conventional Forces

Although this is a nuclear age, conventional capabilities are increasingly important to the security of the nation and to peace and stability in the world. Conventional military power remains a principal instrument for pursuing international objectives where military power is to be used at all. Nuclear forces credibly deter some limited -- although potentially devastating -- hostile acts, but the primary burden of deterrence now falls increasingly on conventional forces, although their effectiveness is enhanced by the nuclear capabilities that underlie them.

There are other reasons for a non-nuclear emphasis in the U.S. defense arsenal. Conventional wars appear relatively controllable, since their tempo tends to be slower, allowing policy makers to act without excessive pressure. Limitations on a conventional conflict in terms of territory, weapons, or aims can more readily be defined and accepted.

The Soviet capabilities show an appreciation of the importance of conventional strength, and reflect a determined, sustained, and increasing effort to develop two powerful conventional forces -- one facing Europe and the other opposite China. These modern offensive forces, combined with their increasing capability to project power thousands of miles from Soviet shores, have not appeared overnight. They are the result of a steady effort made with great momentum over considerable time. What is new is Western recognition of their magnitude and extent.

CHANGES IN QUANTITIES OF MILITARY EQUIPMENTS – U.S./U.S.S.R. (1966-1976)



The number of active Soviet divisions, estimated last year at 168, now appears to be more than 170. Soviet strategic airlift has also continued to expand steadily in tonnage potential. Naval and amphibious forces, designed principally for use on the perimeters of the USSR in the past, are increasingly capable of extended and open-ocean operations.

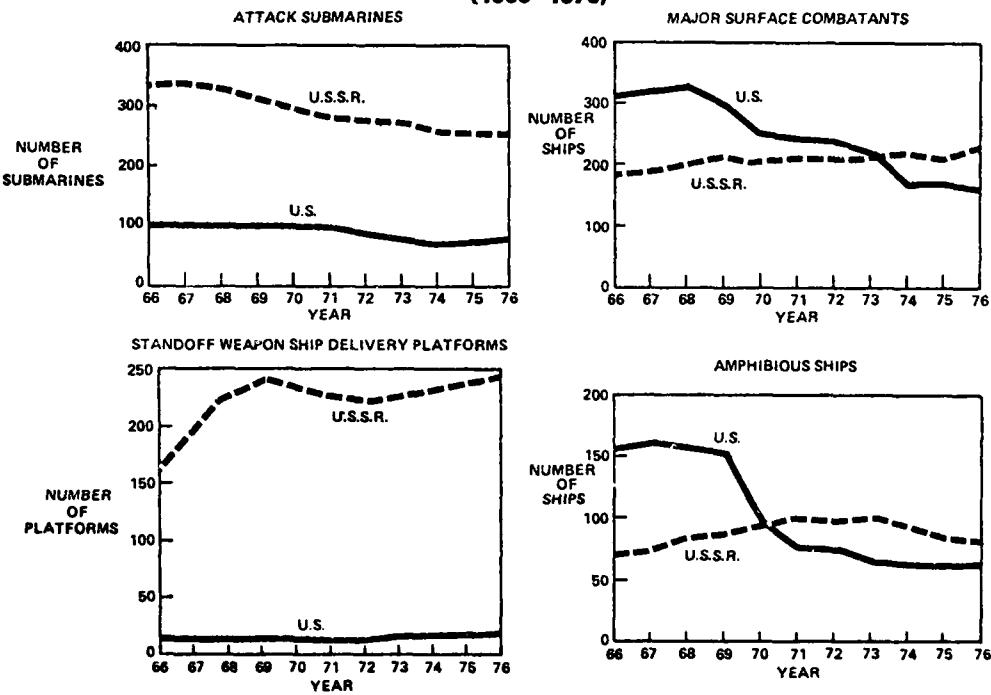
The Soviets have increased the combat effectiveness of their ground and tactical air forces, particularly those in Europe. Their divisions have been expanded in size and modernized. New fighter-attack aircraft have been deployed. For the first time, these capabilities may coincide with the long-standing Soviet doctrine of rapid offensive thrusts, reminiscent of German "blitzkrieg" tactics in World War II.

Thus, the conventional posture in Europe must be based on the assumption that: (a) an attack with little or no warning by in-place Warsaw Pact forces is possible; (b) an attacking force could amount to 500,000 or more men; (c) a forward allied defense is essential; and (d) the ratio of the Pact attack to the NATO defense should be kept well below two-to-one. We also prepare for an attack by Pact forces reinforced, primarily from the USSR, after a relatively short period of mobilization and deployment.

Despite U.S. dependence on freedom of the seas, essential U.S. sea lines of communication are less secure today than they were a decade ago. With their improved naval, airborne, and airlift forces, the Soviets can intervene by sea and air at considerable distances from the USSR, and can sustain such an intervention for a substantial and growing period of time.

CHANGES IN NAVAL FORCE LEVELS--U.S. / U.S.S.R.

(1966-1976)



Developments of Soviet military power are impressive, but the challenge remains manageable. Today, NATO, as a whole, probably spends as much on its defense as the Warsaw Pact. NATO armed forces total about 4.8 million men and women, compared to the Pact's 5.6 million. However, since the Soviets seem engaged in a steady, long-term effort, the feasibility of a NATO conventional defense of Europe cannot be assured once and for all. We must continue to meet these expanding capabilities if our goals are to remain peace and stability, freedom and independence.

That peace and stability still exist in Europe and Korea must be largely credited to the deterrent effect of conventional forces, ours and those of our allies. Strength today, as in the past, contributes to peace. Weakness -- as history testifies -- can invite war as much in this day and age as before. In fact, the present circumstances make weakness a greater provocation than strength.

Because of worldwide U.S. responsibilities, the conventional forces are structured to deal simultaneously with one major and one minor contingency. This is premised on the belief that a smaller engagement could escalate or, in some manner, lead to a larger conflict elsewhere. While such contingencies are necessary for planning purposes, we do not predict any particular course of events or even reserve U.S. forces for any definite, special use. At this point in history, nonetheless, we must at least have a posture sufficiently large, modern, ready, and well-positioned to face the most demanding challenge in Europe and still maintain a deterrent force in Northeast Asia.

In today's world the risks are those of irresolution and weakness. The current non-nuclear posture and deployments help provide for the strength, security, and stability necessary in a world of complexity, untidiness, and declining freedom.

XI. Other Capabilities Needed for Our Security

Most of the defense program deals with the manpower and equipment essential to national security, but other capabilities multiply the utility of U.S. weapons systems. Without accurate intelligence, there would be even greater uncertainty about the size and composition of an adversary's forces and about his intentions. Either the risk to the nation or the costs of the U.S. defense budget would have to increase substantially. Today, it is possible to make relatively modest deployments to Europe because of our knowledge about current Warsaw Pact capabilities and deployments. Without such knowledge, U.S. requirements, our dependence on a nuclear strategy, or the risks to the United States and its allies, would have to increase.

Without adequate research and development efforts, we could not improve the effectiveness of U.S. forces, maintain the overall military balance, or even understand our opponent's forces. The Soviets have clearly made progress toward technological excellence in their military establishment. The United States must be alert for new technological opportunities with defense applications -- such as long-range cruise missiles and guidance, improved sensors,

miniaturization, and computer technology -- and must be willing to move them along into production when ready.

Finally, U.S. foreign military sales and assistance programs augment the non-nuclear capabilities of those nations important to us in the world. Support to other countries through programs of grants, loans, and sales enables them to assure their security at less cost to the United States. Without such arrangements, many of our friends could not be expected to share the burdens of collective defense. Nor could we count on their forces to complement ours with any degree of efficiency.

Overseas base rights and other facilities frequently depend on a U.S. willingness to make weapons available to host countries. Regional balances of power, as in the Middle East, may depend on support to friendly nations, especially when others receive substantial support from the Soviet Union. While balance-of-payments considerations do not determine U.S. decisions, they cannot be ignored. An increasing amount of arms is becoming available from Soviet and European sources. When independent states believe they need arms to provide for their security, their requests should be taken seriously, realizing that they value their sovereignty and security as much as we value ours.

XII. Conclusions

The U.S. assessment of the international military situation and of the U.S. contribution to deterrence makes it clear that the United States faces a number of difficult but manageable security problems in the years and decades ahead. Portions of today's problem result from decisions and events of the past decade; still other portions have developed and will continue to develop from the efforts of the Soviet Union.

We seek peaceful relations with all states, including the Soviet Union. However, from the evidence, it is clear that the Soviets are purposeful about their military programs. Weakness on the part of the West is not an example the Soviets have emulated. If reasonable international peace and stability are to be preserved, we must learn to live with the fact of Soviet strength.

In FY 1977, we set in motion a program for the security of the United States. It was intended to deal with the real world we face and arrest the decline in U.S. capabilities relative to those of the USSR. The task now is to stay on this path and assure an acceptable overall military balance by developing an adequate defense posture. To do so, we must raise the level of the Five-Year Defense Program, beginning in FY 1978. This will entail a real increase in resources of about 6.3 percent from FY 1977 to FY 1978, and substantial continuing growth (in real terms) in the Five-Year Defense Program. To do less would be to take unnecessary risks with our country's future.

More than 30 years have passed since the end of World War II, longer than the interval between the First and Second World Wars. During the past

three decades, the steadfastness and strength of the United States have contributed to the avoidance of another large-scale conflict. Now is the time not to relax but to maintain a steadiness of purpose and resolve. We must not abandon our objectives of freedom and security.

I believe the United States will do its duty. Friend and foe alike will understand the message of this budget. We will not be outmaneuvered; we will not be outlasted; we will not be intimidated. With the support of the American people, through their representatives in the Congress, and with support for the programs set forth, we can demonstrate our commitment to peace and stability, even in a world fraught with dangers and populated with many who do not subscribe to freedom -- a world we must preserve for freedom and for the dignity of mankind.

When I took the oath of office as Secretary of Defense, I made four points:

"First, the safety of the American people and the hopes for freedom throughout the world demand a defense capability for the United States of America second to none. I am totally dedicated to that mission.

"Second, we are rightly proud of the armed forces, older than our nation itself, and I will seek to strengthen that sense of pride among us all. We were born as a nation out of military struggle. We owe our national life to men and women who had the will to fight for independence. The competence and dedication of their successors in today's armed forces will be drawn upon fully.

"Third, that special kind of American military professionalism that is devoted to the constitutional principle of civilian control, so fundamental to political freedom in this country -- is a model for the world. One who has served in the Congress knows how indispensable it is that the defense of our country be a bi-partisan and shared responsibility.

"Finally, let there be no doubt among us, or in the world at large, that the continuity of American policy can be relied upon by friend and foe alike. Our defense policies are geared to the interests of this nation."

My watch is ending. More remains to be done. Nonetheless, I believe now as I did 14 months ago that "America must pursue its goal, as it has throughout...200 years, as a guardian of liberty and a symbol by example and deed in the service of freedom." In strength there is freedom.